

## Brics bank will ignite growth in SA, says Gigaba

As Brics countries (Brazil, Russia, India, China and SA) celebrated the launch of the African regional centre of the New Development Bank (NDB), South African taxpayers can expect to contribute \$10bn over a seven-year period.



Malusi Gigaba, minister of finance

The bank, which lends funds to its member countries exclusively for now, aims to contribute to the acceleration of infrastructure investment in energy, transport, water and other productive sectors.

SA has already requested and received a R2.4bn loan from the bank for Eskom's renewable energy projects.

However, the loan has since been temporarily halted over fears it would use the loan for activities not agreed to with the bank in its borrowing terms.

The loan made to Eskom in April 2016 was based on the assumption that the power utility would use the funding for transmission lines to connect 500MW of renewable energy from independent power producers to the national grid.

Eskom subsequently refused to sign new offtake agreements with renewable-energy projects in terms of the Renewable Energy Independent Power Producer Procurement Programme, arguing they were not cost-effective.

Finance Minister Malusi Gigaba said that SA was working on a "project pipeline" that would help to reinforce the balance

sheet of state-owned companies in order to implement critical infrastructure in the areas that were agreed to with the NDB.

State-owned enterprises such as South African Airways and Petro SA have been struggling with maladministration and wasteful expenditure, which have led to the financial instability of the institutions.

Gigaba hailed the NDB's presence in the region as a "milestone", saying it would ignite growth in the economy and lead to job creation in the process, focusing mainly on tackling youth unemployment.

"The \$1.5bn that has been promised by the bank will go a long way towards assisting us to reinforce and in balancing the balance sheets of state-owned companies in order to be able to implement critical infrastructure in the areas that we agreed to," he said.

The bank's president, KV Kamath, said at the opening of the regional office in Johannesburg on Thursday that SA offered attractive opportunities for fundraising.

He said that the bank planned to raise more additional funding of \$2.5bn between now and 2018, while also exploring the viability of currency bonds in member states.

"We believe that the SA market offers attractive opportunities for fundraising and in the appropriate time, we will work with authorities in SA to explore these opportunities in the country to ensure that we raise rand funds," said Kamath.

The NDB plans to have an authorised capital of \$100bn, of which \$50bn will be subscribed capital.

Speaking at the launch, President Jacob Zuma said the continent had "great expectations" for the NDB, listing Africa's challenges of integration, industrialisation and overexposed economies as some of the areas that could help unlock growth.

Leslie Maasdorp, the vicepresident of the regional bank, agreed that one of the focus areas would be regional integration and connectivity.

He emphasised that the bank would also team up with other organisations such as the Development Bank of Southern Africa, which has similar mandates of infrastructure development.

"The challenges that Africa faces is that it is one continent with 53 countries and there is huge potential to connect these economies in a more dynamic way, he said.

"We will place emphasis on projects that enhance regional connectivity, strengthen the rail links, road and transport links and strengthen the power links between SA and the region," Maasdorp said.

**Source:** *Business Live*

For more, visit: <https://www.bizcommunity.com>